

VZCZCXRO5112
RR RUEHAST RUEHBI RUEHCI RUEHLH RUEHPW
DE RUEHNE #0776/01 0740933
ZNR UUUUU ZZH
R 140933Z MAR 08 VOL ZDK TO ALL
FM AMEMBASSY NEW DELHI
TO RUEHC/SECSTATE WASHDC 0879
INFO RUEHCG/AMCONSUL CHENNAI 2618
RUEHCI/AMCONSUL KOLKATA 1927
RUEHLH/AMCONSUL LAHORE 4342
RUEHBI/AMCONSUL MUMBAI 1724
RUEHPW/AMCONSUL PESHAWAR 4801
RUEHIL/AMEMBASSY ISLAMABAD 4655
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RULSDMK/DEPT OF TRANSPORTATION WASHDC
RHMFIUU/FAA NATIONAL HQ WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE WASHDC
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

UNCLAS SECTION 01 OF 02 NEW DELHI 000776

SIPDIS

SIPDIS

USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR CLILIENFELD/AADLER
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA ABAUKOL
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
STATE FOR SCA/INS AND EB/TRA JEFFREY HORWITZ AND TOM ENGLE
USDA PASS FAS/OCRA/RADLER/BEAN/CARVER/RIKER

E.O. 12958: N/A

TAGS: [EAGR](#) [EFIN](#) [EINV](#) [EPET](#) [ETRD](#) [SENV](#) [IN](#)

SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF
MARCH 10-14, 2008

NEW DELHI 00000776 001.4 OF 002

11. (U) Below is a compilation of Economic highlights from Embassy
New Delhi for the week of March 10-14, 2008.

AIRPORT STRIKE ENDS

12. (U) What started two days back as a non-cooperation movement by
Airport Authority of India (AAI) workers to protest against closure
of the Hyderabad and Bangalore airports was called off yesterday
evening (March 13). With the exception of lack of trash cleanup,
service at virtually all airports was little affected and most
commentators view the results as a defeat for the workers union and
the Left. AAI Union President S.R. Santhanam told econoff March 14
that the union decision to desist followed its private meeting with
Civil Aviation Minister Praful Patel who promised that other
airports would not be closed down without prior consultation with
AAI employees. Santhanam said that the Ministry of Civil Aviation
has also agreed that modernization of the 35 non-metro airports
would only be completed with full involvement of AAI staff. During
the closed-door negotiations, Santhanam said the Minister promised
to "re-examine" the concession agreement for any shortcomings, along
with assurances that the existing Bangalore and Hyderabad airports
would continue to be used for general aviation, defense, and
national emergencies, while commercial passenger service will cease
once the two new private airports open - one this month and one in
May.

GOI NOTIFIES NEW FDI NORMS

13. (U) On March 12, the GOI issued official notifications of the new
FDI limits announced at the end of January in six key sectors.
Previously, the Indian Cabinet approved the revision of the FDI
policy, which raised FDI limits in key growth sectors like civil
aviation, petroleum, titanium mining, industrial parks, commodity

exchanges, and credit-information companies. These changes relaxed and clarified FDI rules and were viewed as a welcome move for U.S. industry investing in these sectors. The official notifications are available at the following:

<http://pib.nic.in/release/release.asp?relid=3> 6326
<http://pib.nic.in/release/release.asp?relid=3> 6325
<http://pib.nic.in/release/release.asp?relid=3> 6324
<http://pib.nic.in/release/release.asp?relid=3> 6323
<http://pib.nic.in/release/release.asp?relid=3> 6322
<http://pib.nic.in/release/release.asp?relid=3> 6321

INDIA-EU HORIZONTAL AVIATION AGREEMENT

14. (U) Later this month, India will hold a fifth round of negotiations with the European Union (EU) in Brussels to further discuss the "horizontal agreement" on civil aviation. K.P. Maggon at the Director General of Civil Aviation's office told econoff that what India wants under this agreement is the following: all European countries would be treated as a single entity, thereby enabling European airlines to fly to India from any European destination. In return, Indian carriers that fly to Europe would be allowed code sharing rights across all member states that would enable passengers on Indian carriers to continue travel via train or bus via their airline tickets. Per the horizontal agreement, any European carrier can fly to India from any destination, within the framework of the bilateral agreement that India has with them. The upcoming negotiations are important for Indian carriers with plans to create a European hub. Already, Jet Airways has a hub in Brussels, and Air India is considering either Munich or Vienna as its European base.

BMW DOUBLES CAPACITY OF CHENNAI FACILITY

15. (U) Boosting Chennai's reputation as the "Detroit of India," BMW India President Peter Kronschnabi announced plans on March 10 to scale up production at the company's Chennai assembly plant from

NEW DELHI 00000776 002.4 OF 002

1700 units to 3000 units per year with an additional investment of just under USD 1 million. Strong local market sales prompted the expansion, according to Kronschnabi. An official from Tamil Nadu's industrial development board told Post that BMW's expansion would encourage local component manufacturers to move up the value chain to supply higher-end models. (Note: BMW's current operation imports nearly all of the components from abroad. End note.) BMW's planned expansion follows on the heels of major expansions in Chennai by both Ford and Hyundai.

HYDERABAD'S NEW AIRPORT OPENS MARCH 16, BANGALORE MAY 11

16. (U) Hyderabad's new airport, the Rajiv Gandhi International Airport, is scheduled to begin operations on March 16. This USD 6 billion public-private partnership plans to handle 7 million passengers during its first year of operations. Hyderabad's current airport will close to commercial aviation when the new airport opens, but will remain open for private aircraft, government use, and emergencies. Meanwhile, an official at Bangalore's new airport, which was originally scheduled to open on March 30, told Consulate Chennai that the new facility will now open on May 11. He said that the delay was necessary to work out air traffic control issues.

ANTI-SMOKING DRUG IN INDIA DESPITE FDA WARNINGS

17. (U) Pfizer launched its anti-smoking drug varenicline in India this week, branded Champix, a month after the Food and Drug Administration (FDA) issued additional safety warnings that varenicline has been associated with depression and suicidal feelings in recent clinical studies. The GOI does not require patient trials of a drug for marketing approval in India if sufficient data from international studies are produced, and gives approval to new drugs if they have been accepted by regulators in the US or Europe.

18. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>

MULFORD